

LINATEX LIMITED
(Registered Number 246713)

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 2000



LINATEX LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2000

The directors submit their report and financial statements for the financial year ended 31 December 2000.

DIRECTORS

The directors of the Company who served during the year were as follows :

M Pugh
P D Brown
G R Fairweather
A Moss

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The results for the year ended 31 December 2000 and the state of affairs of the Company at that date are set out in the annexed accounts.

The main activities of the Company continue to be the manufacture and distribution of high performance industrial rubber products, and solids - liquids separation systems for mineral slurries.

Exceptional restructuring costs were again incurred by the Company this year.

On 1 May 2000 the company acquired the net assets, excluding land and buildings, and trade of Linatex Nederland BV for a net consideration of £156,695 including goodwill of £36,149. On 8 May 2000 the company acquired the trade of Linatex Deutschland GmbH for a net consideration of £349,278 including goodwill of £349,278.

On 23 December 2000 a tragic accident occurred when a light aircraft crashed into the manufacturing facility at Yateley, Hampshire. All five people on board were killed. Part of the building suffered structural damage and some machinery was destroyed causing short-term customer service issues. Net assets written off at 31 December 2000, to be recovered through insurance, amounted to £194,278.

The focus over the coming year will be to build sales growth via distribution and direct channels.

DIVIDENDS

The directors do not recommend the payment of a dividend for the year (1999 - £Nil).

LINATEX LIMITED**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2000 (CONTINUED)****DIRECTORS' INTERESTS**

The directors (and their families) had no beneficial interest in the share capital of the Company at any time during the year.

Directors' interests in shares and options in Elementis plc for those directors at the year end, during the year were as follows.

Name of director	Ordinary Shares Beneficial Holdings		Ordinary Shares Under option			
	-----		-----			
	5p shares		5p shares			
	at 1.1.00	at 31.12.00	at 1.1.00	During the year Granted Lapsed		at 31.12.00
A.Moss	-	-	154,458	104,989	-	259,447
M.Pugh	-	-	73,339	86,349	-	159,688

G.R.Fairweather and P.D. Brown are also directors of Elementis plc, the Company's parent company and their interests (and those of their families) in the share capital of Elementis plc, are disclosed in the annual report and accounts of that company for the year ended 31 December 2000.

EMPLOYMENT OF DISABLED PERSONS

The policy adopted regarding disabled persons is to encourage their employment by considering suitable applications. No restrictions are placed on their training, career development or promotion, and individuals are encouraged to apply for duties which they are capable of performing. Employees of the Company who become disabled are allowed to continue employment in their current position or in suitable alternative employment with appropriate training.

EMPLOYEE INVOLVEMENT

The Company recognises the benefit of employee involvement by way of regular discussion meetings. Information is provided on a regular basis indicating the performance of the Company.

AUDITORS

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office. The Company has passed an elective Resolution pursuant to section 386 of the Companies Act 1985, dispensing with the obligation to appoint auditors annually.

By order of the Board

P.D. Brown
P.D. Brown

Secretary

22 October 2001

Registered Office :
One Great Tower Street
London. EC3R 5AH

Auditors' report to the members of Linatex Limited

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 1, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

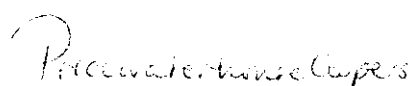
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers, London
Chartered Accountants and Registered Auditors
22 October 2001

LINATEX LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2000

		2000 £'000	1999 £'000
	Note		
TURNOVER	2	9,776	6,422
Cost of sales		(5,699)	(3,669)
		-----	-----
GROSS PROFIT		4,077	2,753
Distribution costs		(526)	(355)
Administrative expenses		(5,352)	(4,205)
		-----	-----
OPERATING LOSS		(1,801)	(1,807)
Loss on disposal of fixed assets		-	(3)
		-----	-----
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST	3	(1,801)	(1,810)
Net interest payable	5	-	(2)
		-----	-----
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,801)	(1,812)
Taxation on loss on ordinary activities	6	403	828
		-----	-----
LOSS FOR THE FINANCIAL YEAR		(1,398)	(984)
Dividend payable on equity shares		-	-
		-----	-----
NET LOSS FOR THE FINANCIAL YEAR			
TRANSFERRED FROM RESERVES	16	(1,398)	(984)
		-----	-----

There were no recognised gains or losses other than the loss for the financial year and therefore no separate statement of recognised gains and losses has been presented.

All amounts above relate to continuing operations.

The notes on pages 6 to 12 form part of these financial statements.

LINATEX LIMITED

BALANCE SHEET - 31 DECEMBER 2000

		£'000	2000 £'000	£'000	1999 £'000
	Note				
FIXED ASSETS					
Goodwill	7	372	-	-	
Tangible assets	8	4,632	4,218	4,218	
Investments	9	3,922	3,922	3,922	
			8,926		8,140
CURRENT ASSETS					
Stocks	10	1,319	1,072	1,072	
Debtors	11	4,811	2,627	2,627	
		6,130	3,699	3,699	
CREDITORS					
Amounts falling due within one year	12	(13,270)	(8,898)	(8,898)	
NET CURRENT LIABILITIES			(7,140)		(5,199)
TOTAL ASSETS LESS CURRENT LIABILITIES			1,786		2,941
PROVISIONS FOR LIABILITIES AND CHARGES	13		(681)		(438)
			1,105		2,503
CAPITAL AND RESERVES					
Called up share capital	14		250		250
Profit and loss account	15		855		2,253
SHAREHOLDERS' FUNDS	16		1,105		2,503

A. Moss

A Moss
Director

APPROVED BY THE BOARD ON
22 October 2001

The notes on pages 6 to 12 form part of these financial statements.

1 ACCOUNTING POLICIES

a) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with generally accepted accounting principles and applicable accounting standards, which are unchanged from the previous year. Consolidated accounts are not prepared as the Company is a wholly owned subsidiary.

b) Exchange rates

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Assets and liabilities are translated into sterling at the rate of exchange ruling at the relevant balance sheet date; any exchange differences arising thereon are included in the profit and loss account.

c) Depreciation

Freehold land is not depreciated.

Freehold buildings, plant and machinery, vehicles, and fixtures, fittings, tools and equipment are depreciated over their estimated useful economic lives on a straight line basis. Estimated useful lives of these assets are:

Buildings	30 - 50 years
Plant and machinery	4 - 20 years
Vehicles	4 - 5 years
Fixtures, fittings and equipment	3 - 10 years

d) Leased assets

Assets acquired under finance leases are treated as if they had been purchased and an amount equivalent to their costs is included under tangible fixed assets and depreciation provided accordingly. The deemed capital element of future lease payments is included under loans; interest calculated on the reducing balance basis is included in interest payable. Rental costs in respect of operating leases are charged against profit before interest as they arise.

e) Intangible assets

Expenditure on research, development, patents and trade marks is written off through the profit and loss account in the year it is incurred.

Goodwill arising on acquisitions is capitalised in the balance sheet and then amortised through the profit and loss account over its estimated useful life, up to a maximum of 20 years.

f) Stocks

Stocks are stated at cost or net realisable value whichever is the lower. Cost in the case of manufactured goods includes direct and overhead expenses attributable to manufacture.

g) Deferred taxation

Deferred taxation is provided using the liability method in respect of timing differences between profits as computed for taxation purposes and profits as stated in the accounts to the extent that the liability is expected to be payable in the foreseeable future.

h) Pensions

The cost of providing retirement pensions and related benefits is charged to the profit and loss account on a systematic and regular basis over the periods during which Linatex Limited benefits from employees' services. Any difference between the charge to the profit and loss and contributions paid to beneficiaries or retirement fund trustees is dealt with in the balance sheet as a prepayment or provision, whichever is appropriate. Deferred tax is accounted for in full on this balance.

LINATEX LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2000 (Continued)

2 TURNOVER AND SEGMENTAL INFORMATION

Turnover, which originates in the United Kingdom, represents the invoiced value of goods sold and services rendered to third parties excluding VAT.

Turnover and operating profit is derived from one class of business.

Analysis of turnover by geographical markets:

	2000 £'000	1999 £'000
Europe	9,659	6,195
Asia	12	52
North America	35	24
Rest of World	70	151
	-----	-----
	9,776	6,422
	-----	-----

3 LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST

Loss on ordinary activities before interest is stated after charging :

	2000 £'000	1999 £'000
Staff costs (inc directors)		
Wages and salaries	2,575	1,984
Social security costs	352	209
Other pension costs	288	369
Goodwill amortisation	13	-
Depreciation	419	338
Hire charges for plant and machinery	8	7
Hire charges for other assets	104	116
Auditors' remuneration	19	18
Group management charges	499	444
Restructuring expenses	504	799
	-----	-----

4 STAFF NUMBERS AND DIRECTORS' EMOLUMENTS

	2000 £'000	1999 £'000
Directors' emoluments:		
Aggregate emoluments	234	266
Compensation for loss of office	-	187
	-----	-----
	234	453
	-----	-----

The aggregate emoluments of the highest paid director, excluding pension contributions, were £127,514. (1999: £107,614). The accrued pension entitlement of this director was £6,376 (1999: £2,391)

The number of directors who exercised share options in the year was nil (1999: nil)

Retirement benefits are accruing to two directors (1999 - two) under a defined benefit scheme.

Certain directors have options over shares in the ultimate parent company, Elementis plc, details of which are given in the directors' report.

The average number of employees during the year was 101 (1999 - 86).

LINATEX LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2000 (Continued)

5 NET INTEREST PAYABLE

	2000 £'000	1999 £'000
Interest payable in respect of:		
Bank loans and overdrafts	-	(2)
	-----	-----
	-	(2)
	-----	-----

6 TAXATION ON LOSS ON ORDINARY ACTIVITIES

	2000 £'000	1999 £'000
The credit for taxation comprises:		
Corporation tax credit at 30.00% (1999 - 30.25%)	403	756
Deferred taxation credit	-	72
	-----	-----
	403	828
	-----	-----

7 GOODWILL

	£'000
Cost	
At 1 January 2000	-
Acquired	385

At 31 December 2000	385

Amortisation	
At 1 January 2000	-
Charge for the year	13

At 31 December 2000	13

Net book value	
At 31 December 2000	372

At 31 December 1999	-

LINATEX LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2000 (Continued)

8 TANGIBLE ASSETS

	Freehold Land £'000	Freehold Buildings £'000	Plant & Machinery £'000	Fixtures Fittings & Equipment £'000	Total £'000
Cost:					
At 1 January 2000	862	2,177	2,630	153	5,822
Additions	-	-	820	41	861
Disposals	-	-	(252)	(2)	(254)
At 31 December 2000	862	2,177	3,198	192	6,429
Depreciation:					
At 1 January 2000	-	156	1,380	68	1,604
Charge for the year	-	44	353	22	419
Disposals	-	-	(224)	(2)	(226)
At 31 December 2000	-	200	1,509	88	1,797
Net book value:					
At 31 December 2000	862	1,977	1,689	104	4,632
At 31 December 1999	862	2,021	1,250	85	4,218

9 INVESTMENTS

Subsidiary undertakings	Shares in subsidiary undertakings £'000
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At 31 December 2000 and 1999 3,922

Principal investments in subsidiary undertakings are as follows:

Name of Subsidiary Undertaking	Nature of Business	Country of Incorporation	Proportion of Equity Held
Linatex Africa (Pty) Ltd	Rubber Engineers	South Africa	100%
Wilkinmark Limited	Holders of Trade Marks	England and Wales	100%
W P R Marks Limited	Holders of Trade Marks	England and Wales	100%

In the opinion of the directors, the value of investments is not less than the value at which they are included in the balance sheet.

LINATEX LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2000 (Continued)

10 STOCKS

	2000 £'000	1999 £'000
Raw materials, consumables and shipments in transit	31	-
Work in progress	20	25
Finished goods and goods for resale	1,268	1,047
	-----	-----
	1,319	1,072
	-----	-----

11 DEBTORS

	2000 £'000	1999 £'000
Trade debtors	2,615	1,498
Amounts due from group undertakings	638	346
Prepayments and accrued income	459	96
Corporation tax receivable	1,099	687
	-----	-----
	4,811	2,627
	-----	-----

12 CREDITORS, amounts falling due within one year.

	2000 £'000	1999 £'000
Bank overdraft	2,137	1,964
Trade creditors	1,574	313
Amounts due to group undertakings	9,399	6,277
Other creditors	-	2
Other taxation and social security	-	81
Accruals and deferred income	160	261
	-----	-----
	13,270	8,898
	-----	-----

LINATEX LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2000 (Continued)

13 PROVISIONS FOR LIABILITIES AND CHARGES

	Pension £'000	Self Insurance £'000	Total £'000
At 1 January 2000	409	29	438
Utilised during the period	(33)	(5)	(38)
Transfers from profit and loss account	270	11	281
At 31 December 2000	646	35	681

The provision made for deferred taxation and the full potential liability is stated below:

	Provision made		Full potential liability	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Accelerated capital allowances	-	-	273	264
Other timing differences	-	-	(220)	(187)
	-	-	53	77

Other provisions for liabilities and charges at 31 December 2000 relate to pension provisions and self insurance provisions which represent the aggregate of outstanding claims plus a projection of losses incurred but not reported.

The Company participates in The Elementis Group Pension Scheme.

This scheme is of the funded defined benefit type providing benefits to certain employees within the Elementis Group, and the assets are held separately from the Group's assets.

The latest actuarial valuation of this scheme was carried out at 30 September 1999. Details of this valuation are contained in the financial statements of Elementis plc.

The total pension costs charged to profit and loss for both UK and overseas employees amounted to £287,953. (1999 - £369,290).

14 CALLED UP SHARE CAPITAL

	2000 £'000	1999 £'000
Authorised, allotted and fully paid: 250,000 Ordinary shares of £1 each	250	250

15 RESERVES

	Profit and loss account £'000
At 1 January 2000	2,253
Retained loss for the financial year	(1,398)
At 31 December 2000	855

LINATEX LIMITED**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31 DECEMBER 2000 (Continued)****16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2000 £'000	1999 £'000
Loss for the financial year after taxation	(1,398)	(984)
Dividends paid	-	-
Net reduction in shareholders' funds	(1,398)	(984)
Opening shareholders' funds	2,503	3,487
Closing shareholders' funds	1,105	2,503

All closing shareholders' funds are attributable to equity interests.

17 COMMITMENTS

Commitments to pay operating lease rentals for the next year comprise:

	2000 £'000	Other assets 1999 £'000
Leases terminating:		
Within one year	18	2
Between one and two years	72	41
Between two and five years	-	50
	90	93

Capital expenditure contracted but not provided for amounted to £ Nil (1999 - £ Nil)

18 CONTINGENT LIABILITIES

The Company is a member of a Cash Management Scheme operated by a group undertaking, under which each company provides a guarantee to discharge the indebtedness of any other Group company which is party to the Scheme, limited to the extent of its own cash balances within the scheme.

Linatex Limited had bank guarantees outstanding at the year end.

19 PARENT AND ULTIMATE PARENT UNDERTAKINGS

The Company's ultimate parent undertaking is Elementis plc. The Company's immediate parent undertaking is Elementis Holdings Limited.

Elementis plc, was the smallest and largest group to consolidate the financial statements of the Company. Copies of the consolidated financial statements for Elementis plc may be obtained from One Great Tower Street, London, EC3R 5AH.

20 RELATED PARTY TRANSACTIONS

As the Company is a wholly owned subsidiary, advantage has been taken of the exemption afforded by FRS8 not to disclose any related party transactions with other members of the Group or its associates and joint ventures.

21 CASH FLOW STATEMENT

The ultimate parent undertaking has presented in its consolidated financial statements a group cash flow statement drawn up in accordance with the provisions of Financial Reporting Standard 1 (FRS1). Accordingly the Company has taken advantage of the exemption under FRS1 to dispense with presenting its own cash flow statement.